
ENGROSSED SUBSTITUTE HOUSE BILL 1796

State of Washington

60th Legislature

2007 Regular Session

By House Committee on Finance (originally sponsored by Representatives Conway, Orcutt, Pettigrew, Ericks, Chase, Green, Haler, Dunn, Hankins, Hasegawa, Appleton, Kenney, Santos, VanDeWege, Simpson, Goodman, Morrell and Lantz)

READ FIRST TIME 03/05/07.

1 AN ACT Relating to property tax exemptions for nonprofit
2 organizations for small business incubators which assist in the
3 creation and expansion of innovative small commercial enterprises;
4 adding a new section to chapter 84.36 RCW; and creating new sections.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** The legislature finds that nonprofit
7 organizations and associations engaged in the education and training of
8 people, located in economically disadvantaged areas, who are involved
9 in the creation and expansion of businesses with marketable products
10 and services in a physical location provide many public benefits to the
11 people of the state of Washington. Therefore, the legislature finds
12 that it is in the best interest of the state to provide a limited
13 property tax exemption for the use of these facilities by certain
14 organizations in order to be self-sustaining for their exempt purposes.

15 NEW SECTION. **Sec. 2.** A new section is added to chapter 84.36 RCW
16 to read as follows:

17 (1) The real and personal property owned or used by a nonprofit

1 organization is exempt from property taxes levied for any state purpose
2 if the property is:

3 (a) Located in an economically distressed area; and

4 (b) Used to provide shared use of equipment and work areas and
5 daily technical resources and daily management support services that
6 enable small start-up and emerging businesses to become successful.

7 (2) The organization or association must meet all of the additional
8 following conditions:

9 (a) The organization is organized and conducted for nonsectarian
10 purposes;

11 (b) The organization is qualified for exemption under section
12 501(c)(3) of the federal internal revenue code;

13 (c) The organization is governed by a volunteer board of directors
14 of at least five members;

15 (d) The organization charges fair market rent to the businesses
16 that use that organization's work areas; and

17 (e) Is certified by the department of community, trade, and
18 economic development as a "qualified small business incubator" under
19 chapter 43.176 RCW that meets the requirements of this act.

20 (3) In 2010 any nonprofit organization claiming the exemption under
21 subsection (1) of this section must report to the department the number
22 of businesses served by the nonprofit and the types of services
23 provided. Nonprofits failing to report to the department are
24 ineligible for the exemption under subsection (1) of this section. The
25 department shall compile the information and share it with the
26 appropriate committees of the legislature.

27 (4) The department of revenue may revoke a small business
28 incubator's property tax exemption under this section upon clear and
29 convincing evidence that the small business incubator is not complying
30 with the requirements of this section.

31 (5) For the purposes of this section, the following definitions
32 apply:

33 (a) "Economically distressed area" means a rural county as defined
34 in RCW 82.14.370, a county with a community empowerment zone under RCW
35 43.31C.020, or a community empowerment zone under RCW 43.31C.020.

36 (b) "Emerging business" means a business that is: (i) Engaged in
37 activities related to the development of initial product or service
38 offerings, such as prototype development or establishment of initial

1 production or services processes; (ii) less than five years old and
2 during the previous fiscal year had gross revenues of no more than two
3 million dollars; or (iii) in a growth mode, expanding its operation or
4 its market.

5 (c) "Start-up business" means a formal business venture that: (i)
6 Is involved in activities related to the development of initial product
7 or service offerings, such as prototype development or establishment of
8 initial production or services processes; (ii) is less than three years
9 old and during the previous fiscal year had gross revenues of no more
10 than two million dollars; and (iii) has fewer than twenty employees.

11 (6) The exemption may not be taken for taxes due after January 1,
12 2016.

13 NEW SECTION. **Sec. 3.** This act applies to taxes levied for
14 collection in 2008 and thereafter.

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